



(a real estate investment trust constituted on 13 December 2012  
under the laws of the Republic of Singapore)

## ANNOUNCEMENT

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### REDEVELOPMENT OF 2 PIONEER SECTOR 1

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#### 1. INTRODUCTION

SB REIT Management Pte. Ltd., in its capacity as manager of Soilbuild Business Space REIT ("**Soilbuild REIT**", and the manager of Soilbuild REIT, the "**Manager**"), is pleased to announce its proposed redevelopment plan (the "**Proposed Redevelopment**") at 2 Pioneer Sector 1, Singapore 628414 (the "**Property**"), which will transform the existing facility into a 4-storey ramp-up warehouse facility with open yard space (the "**Warehouse**").

According to the Urban Redevelopment Authority ("**URA**") Master Plan, the current permitted development plot ratio is 1.00. However, the Manager has the intention to increase its plot ratio to 1.32 and had several discussions with the authorities. The redevelopment is based on plot ratio of 1.00 and upon receipt of approval from JTC Corporation's ("**JTC**") and other relevant authorities, the redevelopment would be based on an increased plot ratio of 1.32. The Proposed Redevelopment will increase the gross floor area ("**GFA**") of the facility and enhance the asset's value.

The Manager has commenced marketing the Property and is currently in negotiation with a few potential multi-national anchor users for the Warehouse.

#### 2. INFORMATION ON THE PROPERTY

Soilbuild REIT had previously acquired the Property on 15 February 2013, and formed part of the IPO portfolio of Soilbuild REIT.

The Property currently comprises of seven blocks of office, laboratory, warehouse and production facilities and associated structures.

The Property holds a prominent frontage at Pioneer Road and is a short drive to the upcoming Tuas Port which is slated to be the world's largest fully automated terminal when completed in 2040<sup>1</sup>.

The site is accessible to several major expressways including the Ayer Rajah Expressway

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<sup>1</sup> The Straits Times (3 October 2019).

and Pan Island Expressway and is strategically located at the gateway of Jurong Island and Malaysia via the Tuas Link. Connectivity has also been enhanced with the Tuas West Extension. Four Mass Rapid Transit stations that make up the Tuas West Extension were opened in 2017.

The Property is a leasehold estate granted by JTC for 60 years commencing from 1 October 1986, with a remaining term of approximately 26.6 years as at the date of this announcement.

### 3. REDEVELOPMENT OF THE PROPERTY

The following table sets out the additional details for the Proposed Redevelopment:

#### Plot Ratio 1.0

Details of redeveloped ramp-up warehouse facility at 2 Pioneer Sector 1		
Gross Floor Area	Net Lettable Area	Expected time for completion of redevelopment
53,189.70 sqm	50,782.60 sqm	14 calendar months from date of approval by Soilbuild REIT's Unitholders to appoint the Design & Build Contractor

#### Plot Ratio 1.32

Details of redeveloped ramp-up warehouse facility at 2 Pioneer Sector 1		
Gross Floor Area	Net Lettable Area	Expected time for completion of redevelopment
70,210.40 sqm	67,715.26 sqm	16 calendar months from date of approval by Soilbuild REIT's Unitholders to appoint the Design & Build Contractor

#### 3.1 Valuation and Purchase Consideration

The current value of the Property is S\$48.3 million<sup>2</sup>, based on Colliers' valuation dated 31 December 2019. With the Proposed Redevelopment, the appraised gross development value is S\$113.0 million (based on plot ratio 1.00) and S\$142.0 million (based on plot ratio 1.32), based on Savills Valuation and Professional Services (S) Pte Ltd's valuation dated 6 March 2020 which was prepared on an "as if complete" basis (the "**Savills 2020 Valuation**").

The total development cost including construction and other costs is estimated to be S\$81.8 million based on plot ratio 1.00 and S\$91.1 million based on plot ratio 1.32.

#### 3.2 Rational and Benefits of the Proposed Redevelopment

The Manager believes that the Proposed Redevelopment will bring the following key

<sup>2</sup> The carrying value including right-of-use assets is S\$59.0 million.

benefits to unitholders of Soilbuild REIT:

The Proposed Redevelopment is consistent with the Manager's investment strategy. The transformation of the Property from the existing seven blocks of office, laboratory, warehouse and production facilities and associated structures into a ramp-up warehouse facility with open yard space would optimise the existing plot ratio of 0.55.

The Proposed Redevelopment is in line with the Manager's strategy for improving value through selective enhancement or redevelopment of its existing assets. It unlocks significant value in Soilbuild REIT's portfolio and repositions Soilbuild REIT's portfolio for long-term growth.

Following the completion of the Proposed Redevelopment and taking into account the Savills 2020 Valuation, the appraised asset value of the Property will increase to S\$113.0 million (based on plot ratio 1.00) and S\$142.0 million (based on plot ratio 1.32) on a proforma basis from the appraised value of S\$48.3 million<sup>3</sup> as at 31 December 2019.

### 3.3 Method of Financing

The Manager intends to draw down its existing loan facility and obtain new loan facilities to fully fund the Proposed Redevelopment progressively over the development period.

Assuming that Soilbuild REIT had on 31 December 2019 completed, held and operated the Proposed Redevelopment and drawn down debt to finance the Proposed Redevelopment, the aggregate leverage of Soilbuild REIT is expected to increase from 38.2% to 42.2% (based on plot ratio 1.00) and to 42.0%<sup>4</sup> (based on plot ratio 1.32).

## 4. PROPOSED APPOINTMENT OF THE DESIGN & BUILD CONTRACTOR

Following a process to obtain quotes from several contractors, the consultant quantity surveyor for the exercise has recommended appointing Soil-Build (Pte.) Ltd. ("SBPL") as the Design and Build contractor ("**D&B Contractor**") for the Proposed Redevelopment. The Manager believes that the appointment of SBPL as the D&B Contractor (the "**Proposed Appointment**") is beneficial for Unitholders for the following reasons:

### (i) Highest scoring in overall tender evaluation

SBPL has scored the highest scores for the overall tender evaluation and scoring system which primarily followed the Singapore Government's guidelines for public tenders and this can be found in the Building and Construction Authority's website: <https://www1.bca.gov.sg/procurement/tender-stage/price-quality-method-pqm-framework>.

### (ii) Shortest contract period

SBPL has offered the shortest contract period with a two-month reduction to the contract period stipulated in the tender document and addendum. The development period is reduced by two months which provides the following benefits:

<sup>3</sup> Valuation would be S\$59.0 million including right-of-use assets.

<sup>4</sup> Lower projected aggregate leverage for plot ratio of 1.32 as compared to plot ratio of 1.0 as the effect of valuation uplift outweighs the increase in borrowings.

- (a) reduces Soilbuild REIT's risk exposure to any unforeseen development risk; and
- (b) minimises downtime whereby early completion of the development will be potentially income generating.

**(iii) Most favourable progressive payment returns**

SBPL has offered the most favourable progressive payment terms compared to the other contractors.

**(iv) Cost-saving value-engineering options resulting in lowest construction cost achieved during the tender exercise**

SBPL has provided cost-saving value-engineering options in the tender exercise and as a result, the construction cost is lower than the next lowest quote by S\$2,277,092 for plot ratio 1.0 design scheme and S\$1,273,800 for plot ratio 1.32 design scheme.

SBPL is an associate of the controlling shareholder of the Manager, and therefore the appointment of SBPL would be an interested person transaction ("IPT").

## **5. PRINCIPAL TERMS AND CONDITIONS FOR THE PROPOSED APPOINTMENT**

SBPL will be appointed as the D&B Contractor for the Proposed Redevelopment pursuant to the terms of the design and build contract:

- (i) at S\$75,824,908 (before Goods and Service Tax ("GST")) for a contract period of 14 calendar months with effect from the date of approval of Soilbuild REIT's Unitholders for the Proposed Appointment, based on plot ratio 1.00 design scheme which is the plot ratio permitted in the URA's Master Plan for this site; and
- (ii) upon JTC and the relevant authorities' approval to increase the plot ratio to 1.32, the Manager will activate within six months from the date of unitholders' approval to increase the plot ratio to 1.32 with a D&B Contract amount of S\$78,213,000 (before GST) for a revised contract period of 16 calendar months with effect from the date of approval of Soilbuild REIT's Unitholders for the Proposed Appointment.

Pursuant to the Trust Deed, the Manager is entitled to receive a development management fee equivalent to 3.0% of the total project costs incurred in Development Projects undertaken and managed by the Manager on behalf of Soilbuild REIT.

## **6. INTERESTED PERSON TRANSACTION**

Under Chapter 9 of the Listing Manual, where Soilbuild REIT proposes to enter into a transaction with an Interested Person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same Interested Person during the same financial year) is equal to or exceeds 5.0% of Soilbuild REIT's latest audited NTA, Unitholders' approval is required in respect of the transaction. Based on the audited financial statements of Soilbuild REIT for the financial year ended 31 December 2018, the audited NTA of Soilbuild REIT was

approximately S\$732.2 million as at 31 December 2018. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by Soilbuild REIT with an Interested Person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same Interested Person during the current financial year, equal to or in excess of S\$36.6 million (being 5.0% of the audited NTA of Soilbuild REIT as at 31 December 2018), such a transaction would be subject to Unitholders' approval. Given the estimated D&B Contract amount of S\$78.2 million for plot ratio 1.32 design scheme (which is approximately 10.7% of the latest audited NTA of Soilbuild REIT), the value of the D&B Contract exceeds the said threshold.<sup>5</sup>

As at the Latest Practicable Date, Mr Lim Chap Huat wholly-owns SBGH and through SBGH, holds 100.0% of the issued shares of the Manager. Mr Lim Chap Huat is therefore regarded as a "controlling shareholder" of the Manager under the Property Funds Appendix and is (for the purposes of the Listing Manual) an "interested person".

As Mr Lim Chap Huat holds an indirect interest of 74.61% in the D&B Contractor (SBPL), for the purposes of Chapter 9 of the Listing Manual, the D&B Contractor (being an associate of a "controlling shareholder" of the Manager) is (for the purposes of the Listing Manual) an "interested person" of Soilbuild REIT.

Therefore, the Proposed Appointment will constitute an "interested person transaction" under Chapter 9 of the Listing Manual, in respect of which the approval of Unitholders is required. A circular to Unitholders (the "**Circular**") in relation to the Proposed Appointment would be sent out in due course.

## **7. ADVICE OF THE INDEPENDENT FINANCIAL ADVISOR ("IFA")**

The Manager has appointed Provenance Capital Pte. Ltd. as the IFA to advise the independent directors of the Manager (the "**Independent Directors**"), the audit and risk committee of the Manager (the "**Audit and Risk Committee**") and the Trustee in relation to the Proposed Appointment.

The opinion of the IFA as to whether the Proposed Appointment is on normal commercial terms and is not prejudicial to the interests of Soilbuild REIT and its minority Unitholders will be disclosed in the Circular.

## **8 OTHER INTERESTED PERSON TRANSACTIONS**

As at the date of this announcement, there are no other interested person transactions entered into with Soilbuild REIT for the current financial year.

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<sup>5</sup> The audited NTA figures set out in this paragraph is computed taking into account the perpetual securities. Assuming that the perpetual securities are not taken into account as the equity in computing the NTA, the audited NTA of Soilbuild REIT will be S\$666.6 million and 5% of such amount will be S\$33.3 million, and the D&B Contract amount will be 11.7% of such NTA.

## 9. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

### 9.1 Interests of Directors

As at the Latest Practicable Date, certain directors of the Manager (“**Directors**”) collectively hold an aggregate direct and indirect interest in 122,558,290 Units. Further details of the interests in Units of Directors and Substantial Unitholders<sup>6</sup> are set below.

Mr Lim Chap Huat is a Non-Executive Director of the Manager. Ms Lim Cheng Hwa is a Non-Executive Director of the Manager. Mr Chong Kie Cheong is the Chairman and an Independent Non-Executive Director of the Manager. Mr Michael Ng Seng Tat is an Independent Non-Executive Director of the Manager. Mr Ng Fook Ai Victor is an Independent Non-Executive Director of the Manager.

Based on the Register of Directors’ Unitholdings maintained by the Manager and save as disclosed in the table below, none of the Directors currently holds a direct or deemed interest in the Units as at the Latest Practicable Date:

Name of Directors	Direct Interest		Deemed Interest		Total No. of Units held	% <sup>(1)</sup>
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>		
Lim Chap Huat <sup>(2)</sup>	97,988,491	7.753	23,285,219	1.842	121,273,710	9.595
Lim Cheng Hwa	272,580	0.022	-	-	272,580	0.022
Chong Kie Cheong	324,500	0.026	-	-	324,500	0.026
Michael Ng Seng Tat <sup>(3)</sup>	-	-	687,500	0.054	687,500	0.054
Ng Fook Ai Victor	-	-	-	-	-	-

**Notes:**

- (1) The percentage is based on 1,263,903,222 Units in issue as at Latest Practicable Date.
- (2) Mr Lim Chap Huat is deemed to be interested in one Unit held by SBGH as Mr Lim Chap Huat directly owns 100% of SBGH, 18,933,928 Units which are held through a nominee account, and 4,351,290 Units held by the Manager as he holds 100% of the Manager through SBGH. The Units held by the Manager relate to 3QFY2019 and 4QFY2019 base fees.
- (3) Mr Michael Ng Seng Tat is deemed to be interested in 687,500 Units which are held through a nominee account.

### 9.2 Interests of Substantial Unitholders

Based on the Register of Substantial Unitholders’ Unitholdings maintained by the Manager, the Substantial Unitholders of Soilbuild REIT and their interests in the Units as at the Latest Practicable Date are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total No. of Units held	% <sup>(1)</sup>
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>		
Lim Chap Huat <sup>(2)</sup>	97,988,491	7.753	23,285,219	1.842	121,273,710	9.595
Lim Han Feng <sup>(3)</sup>	61,400,000	4.858	23,600,000	1.867	85,000,000	6.725
Lim Han Qin <sup>(4)</sup>	61,400,000	4.858	23,600,000	1.867	85,000,000	6.725
Lim Han Ren <sup>(5)</sup>	72,400,000	5.728	12,600,000	0.997	85,000,000	6.725

<sup>6</sup> “Substantial Unitholder” refers to a person with an interest in Units constituting not less than 5.0% of all Units in issue.

**Notes:**

- (1) The percentage is based on 1,263,903,222 Units in issue as at Latest Practicable Date.
- (2) Mr Lim Chap Huat is deemed to be interested in one Unit held by SBGH as Mr Lim Chap Huat directly owns 100% of SBGH, 18,933,928 Units which are held through a nominee account, and 4,351,290 Units held by the Manager as he holds 100% of the Manager through SBGH. The Units held by the Manager relate to 3QFY2019 and 4QFY2019 base fees.
- (3) Mr Lim Han Feng is deemed to be interested in 23,600,000 Units held through nominee accounts.
- (4) Mr Lim Han Qin is deemed to be interested in 23,600,000 Units held through nominee accounts.
- (5) Mr Lim Han Ren is deemed to be interested in 12,600,000 Units held through a nominee account.

Save as disclosed above and based on information available to the Manager as at the Latest Practicable Date, none of the Directors or the Substantial Unitholders have an interest, direct or indirect, in the Proposed Appointment.

By Order of the Board  
SB REIT Management Pte. Ltd.  
(UEN/Company Registration No. 201224644N)  
As Manager of Soilbuild Business Space REIT

Mr Roy Teo  
Chief Executive Officer  
19 March 2020

### **About Soilbuild Business Space REIT**

Soilbuild Business Space REIT ("**Soilbuild REIT**") is a Singapore and Australia-focused real estate investment trust ("**REIT**") with a portfolio of business parks and industrial properties used by industries engaging in manufacturing, engineering, logistic, warehousing, electronics, marine, oil & gas, research and development and value-added knowledge-based activities. Major tenants of the REIT include Dyson Operations, Ubisoft Singapore, Nestle Singapore and John Wiley & Sons. Its Singapore portfolio of properties include Solaris, a landmark development in one-north, Eightrium @ Changi Business Park, Tuas Connection, West Park BizCentral and Bukit Batok Connection. Its Australia portfolio includes an office building at 14 Mort Street in Canberra, a poultry production and processing facility known as Inghams Burton in Adelaide and a Grade A freehold office building at 25 Grenfell Street in Adelaide. Soilbuild REIT's portfolio comprises 11 properties in Singapore and 3 properties in Australia with a total net lettable area of 4.30 million square feet and an occupancy rate of 84.0% as at 31 December 2019. Soilbuild REIT was listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 16 August 2013 ("**Listing Date**").

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